

## CHAPTER-VIII: OTHER DEPARTMENTAL RECEIPTS

### 8.1 Results of audit

Test check of the assessment records and other connected documents pertaining to the departmental receipts in the departments of Water Resources, Energy, Co-operation, Health and Family Welfare, General Administration (Rent), Steel and Mines and Food Supplies and Consumer Welfare during 2008-09 revealed non-realisation of revenue, non/short levy of revenue etc., of Rs. 448.87 crore in 5,754 cases which fall under the following categories.

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
<b>WATER RESOURCES DEPARTMENT</b>			
1.	Assessment, levy and collection of water rate/ licence fee	1	208.49
<b>ENERGY DEPARTMENT</b>			
1.	Non-realisation of revenue	609	45.56
2.	Non/short levy of revenue	33	50.70
3.	Other irregularities	38	85.25
<b>Total</b>		<b>680</b>	<b>181.51</b>
<b>CO-OPERATION DEPARTMENT</b>			
1.	Non-realisation of revenue	39	1.16
2.	Other irregularities	3,199	40.33
<b>Total :</b>		<b>3,238</b>	<b>41.49</b>
<b>HEALTH AND FAMILY WELFARE DEPARTMENT</b>			
1.	Non-realisation of revenue	7	0.55
2.	Other irregularities	220	12.24
<b>Total :</b>		<b>227</b>	<b>12.79</b>
<b>GENERAL ADMINISTRATION (RENT) DEPARTMENT</b>			
1.	Non-realisation of revenue	8	3.61
2.	Other irregularities	42	0.16
<b>Total :</b>		<b>50</b>	<b>3.77</b>
<b>STEEL AND MINES DEPARTMENT</b>			
1.	Non/short levy of revenue	2	0.82
<b>FOOD SUPPLIES AND CONSUMER WELFARE DEPARTMENT</b>			
1.	Non-realisation of revenue	5	0.001
2.	Other irregularities	1551	0.003
<b>Total :</b>		<b>1,556</b>	<b>0.004</b>
<b>Grand Total :</b>		<b>5,754</b>	<b>448.87</b>

During the year 2008-09, the concerned departments accepted non/short levy, loss of revenue etc., of Rs. 6.33 crore in 108 cases pointed out in 2008-09 and earlier years. Of this, Co-operation and Steel and Mines departments recovered Rs. 79 lakh in three cases.

After issue of the draft paragraphs the departments of Water Resources and Energy recovered Rs. 3.49 crore pertaining to two observations pointed out by audit during 2008-09.

A few illustrative audit observations involving Rs. 221.23 crore are discussed in the following paragraphs.

## **8.2 Audit observations**

*Scrutiny of assessment records and other connected documents pertaining to the departmental receipts in the departments of Water Resources, Energy, Housing and Urban Development and General Administration (Rent) revealed non/short levy/irregular exemption of special water rates/licence fee, non-levy of electricity duty on transmission and distribution loss, non-raising of demand for inspection fee, non-recovery of sewerage charges and short recovery of water charges and others as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit repeatedly, but not only do the irregularities persist; these remain undetected till an audit is conducted. The Government may consider issuing instructions for effective internal control mechanisms to avoid occurrence of such omissions, their detection and timely correction.*

### **Water Resources Department**

## **8.3 Assessment, levy and collection of special water rate/licence fee**

The assessment, levy and collection of special water rate in Orissa is governed by the Orissa Irrigation Act, 1959, Orissa Irrigation Rules, 1961 and executive instructions issued from time to time. By an amendment of the above Act and the Rules, a new type of water rate termed as “licence fee” for use of water from Government water sources<sup>82</sup> for purposes other than irrigation was introduced from September 1994. The Rules were further amended in 1998 revising the special water rate with effect from 18 July 1998. Thus, at present two types of water rates are in force in the State, - “special water rate” for using water from irrigation works and “licence fee” for using water from Government water sources for industrial/commercial purposes.

### **8.3.1. Non-raising of demand for special water rate from OHPC in respect of Upper Indravati Hydro Electric Project**

Under the provisions of the Orissa Irrigation Act and the Rules made thereunder special water rate at the rate of Rs. 60 per one lakh gallon of water used is leviable for non-consumptive use of water. The 9<sup>th</sup> Water Resources Board in its meeting held on 20 September 2004 also reiterated that the government and private power generating agencies should pay for the water used for generation of electricity.

Scrutiny of the records of the Chief Engineer, Upper Indravati Irrigation Project, Khatiguda during December 2008 and subsequent collection of information in February 2009 revealed that 15.15 lakh hectometre of water was used during the years 2003-04 to 2007-08 in the Upper Indravati Hydro Electric Project, Mukhiguda, a unit of Orissa Hydro Power Corporation (OHPC) Limited for generation of electricity. For such non-consumptive use

---

<sup>82</sup> A water source created naturally or otherwise by collection or deposit of water, any subsoil water or water in a state of running.

of water OHPC was liable to pay water rate of Rs. 200.03 crore. It was seen that neither did OHPC pay the dues nor did the department raise demand for the same. This resulted in non-levy of special water rate of Rs. 200.03 crore.

After the case was pointed out, the Chief Engineer stated in December 2008 that the question of raising demand did not arise as OHPC is maintaining the dam as well as the reservoir. The fact, however, remains that the Act does not provide for any such exemption.

The matter was brought to the notice of the Principal Secretary, Finance department and Secretary, Water Resources department in April 2009. The Secretary, Water Resources department stated in May 2009 that no special water rate has been specified for use of water for generation of hydro electricity. It was also stated that the cabinet in its meeting held on 9 July 2002 approved for exemption of water rate to OHPC. Presently a draft cabinet memorandum has been sent to the Revenue and Disaster Management department to bring out the necessary amendment in the Orissa Irrigation Rules. The reply of the Government was found contradictory as on the one hand it was stated that there was no provision for such levy while on the other hand it was stated that action was initiated for revision of the water rate. The fact, however, remains that the notification revising the water rate has not so far been issued under the Act. Reply from the Finance department has not been received (October 2009).

### **8.3.2 Non-levy of special water rate/licence fee**

According to the provisions of the Orissa Irrigation Act and the Rules framed thereunder, as amended from time to time, the user of water from irrigation works/Government water sources for industrial, commercial, drinking and washing purposes shall apply to the concerned Executive Engineer (EE) in the prescribed form for obtaining a licence to draw water from the specified source. After getting the licence, the licensee shall execute an agreement with the EE and shall install a flow meter at his own cost at the intake point of water. The EE shall assess the water rate/licence fees to be charged as per unit/quantity of water drawn or lifted and accordingly issue demand notice within the first week of every month payable within the said month.

Test check of the assessment records of 11 irrigation divisions<sup>83</sup> between October and December 2008 revealed that special water rate/licence fee of Rs. 7.09 crore in respect of 41 industries/commercial organisations pertaining to the period from 2003-04 to 2007-08 was not demanded. The EEs did not take any action either to execute the agreements and get the flow meters installed except in three cases or make an inquiry as to whether the user of water had unauthorisedly drawn water from Government water sources/irrigation works. Lack of effective monitoring and pursuance by the EEs concerned resulted in non-realisation of the dues.

---

83 Angul Irrigation Division, Berhampur Irrigation Division, Head Works Division, Kolabnagar, Jaraka Irrigation Division, Khurda Irrigation Division, Mahanadi South Division, Mahanadi North Division, Main Dam Division, Burla, Prachi Irrigation Division, Bhubaneswar, Sambalpur Irrigation Division and Sundargarh Irrigation Division.

During test check of the records the following system deficiencies were noticed.

- A comprehensive list of industries/commercial organisations/ Government bodies using water unauthorisedly from Government water sources and irrigation works but not paying water rate/licence fee has not been drawn up by the department after survey. As a result, potential users like hotels and restaurants, Railways, Central Government departments and State Government departments drawing water from Government water sources could not be brought into the tax net. Further, for tapping of potential sources of revenue, lack of co-ordination between Water Resources department with other departments like Energy department in respect of captive power plants, Industries department in respect of industrial units and Housing and Urban Development (H and UD) department in respect of Public Health divisions supplying drinking water was noticed.
- In the test checked divisions it was observed that in no case steps were taken to disconnect the water supply to the defaulting units/units unauthorisedly drawing water.
- Database in respect of users of water has not been prepared and developed to ensure collection and to arrest escapement of Government revenue.

After the cases were pointed out, the Government while admitting that the unauthorised users of water were drawing water without seeking permission from the competent authority stated in July 2009 that the available infrastructure in the form of manpower was inadequate to tackle the matter. It was also stated that the provisions of the Act and the Rules were not adequate to take action against the unauthorised drawers of water and action for amendment was being taken. The fact, however, remains that due to inaction of the department, Government revenue remained unrealised.

### ***8.3.3 Short levy of special water rate/licence fee***

Test check of the records of two irrigation divisions<sup>84</sup> in November and December 2008 revealed that in two cases against Rs. 1.29 crore leviable towards special water rate/licence fee the EEs raised demand of Rs. 85.61 lakh resulting in short levy of Rs. 43.05 lakh. It was also seen that the user agencies have not executed agreements with the department and have not installed flow meters leading to improper implementation of the Orissa Irrigation Act/ Rules and short realisation of water rate.

After the cases were pointed out, the Government stated in July 2009 that the concerned EEs had been instructed to recover the dues. A report on further development has not been received (October 2009).

---

<sup>84</sup> Angul Irrigation Division and Balasore Irrigation Division.

#### **8.3.4 Non-levy of interest**

As per the amended provisions of the Orissa Irrigation Rules, compound interest at the rate of two *per cent* per month is leviable on the user of water for default in payment of the demanded dues.

Test check of the records of four divisions<sup>85</sup> in November and December 2008 revealed that special water rate/licence fee of Rs. 4.35 crore for the period from April 2003 to January 2008 was paid between May 2003 and March 2008 with delays ranging between one and 59 months. Though interest of Rs. 86.71 lakh was leviable for belated payment, demand was not raised by the EEs.

After the cases were pointed out, the Government stated in July 2009 that demands had been raised against the industries. A report on recovery has not been received (October 2009).

#### **8.3.5 Irregular exemption of special water rate/ licence fee**

Under the Industrial Policy Resolution (IPR) promulgated from time to time industrial units are eligible for exemption from payment of water rate for a specific period on fulfilment of the prescribed conditions.

It was seen in Sundargarh irrigation division that three industries were allowed 50 *per cent* exemption of the licence fee due for the period between August 2003 and March 2008 under IPR 2001 without obtaining eligibility certificate from the concerned District Industries Centre (DIC) and without incorporation of a specific clause in the agreement. This resulted in irregular exemption of licence fee amounting to Rs. 7.55 lakh.

After the cases were pointed out, the Government stated in July 2009 that the EE had been directed to verify the eligibility of the industries and obtain the eligibility certificates. It was also stated that if the industries did not fulfil the eligibility conditions, the demands would be revised. A report on further development has not been received (October 2009).

#### **8.3.6 Arrear special water rate/licence fee**

The arrears of special water rate/licence fee as on 31 March 2008 as reported by the department was Rs 107.56 crore. It was seen from the demand, collection and balance (DCB) position of the Engineer-in-Chief (EIC), Water Resources that the arrear dues of Rs. 4,220.37 crore<sup>86</sup> as on that date from OHPC has not been included in the above arrears. Scrutiny of the records relating to arrear demands also revealed the following:

- The arrear position against two industries was shown excess by Rs. 3.78 crore in the records of the EIC as compared to the position shown in the records of the concerned divisions. Similarly, in four cases the arrears in the DCB of the EIC was shown less by Rs. 20.79 crore. These discrepancies need reconciliation.

---

<sup>85</sup> Angul Irrigation Division, Jaraka Irrigation Division, Main Dam Division, Burla and Sundargarh Irrigation Division.

<sup>86</sup> Excluding the arrears of Balimela Hydro Electric Project for 2006-07 and 2007-08.

- As per the provisions of the Orissa Irrigation Act, arrears of special water rate/licence fee are to be recovered as arrears of land revenue. It was, however, seen that despite the pendency of arrears of Rs. 26.56 crore, excluding the arrears of Rs. 81.00 crore locked up in court cases from 1994 onwards, the department has not initiated any certificate proceeding for realisation of the arrear dues. Of this, Rs. 9.05 crore was pending against five units which are either closed or transferred rendering the collection of the arrears remote.

After the cases were pointed out, the Government stated in July 2009 that:

- action was being taken to reconcile the discrepancies;
- action was being taken to review the pending cases and the concerned divisions would be instructed to initiate suitable action for recovery of the arrear dues; and
- the audit observations were intimated to the field functionaries to take immediate action.

A report on further development has not been received (October 2009).

### **Energy Department**

#### **8.4 Non-compliance of notifications/decisions**

*The extant decision of the Orissa Electricity Regulatory Commission (OERC) and notification of the Government of Orissa prescribe for:*

- Restricting the transmission and distribution loss of energy for North Eastern Electricity Supply Company of Orissa Limited (NESCO) at 32 and 29 per cent for 2006-07 and 2007-08 respectively;*
- collection of inspection fee for inspection of service connections;*
- levy of interest on late deposit of electricity duty.*

*Non-compliance of some of the above provisions as mentioned in paragraphs 8.5 to 8.7 resulted in non-levy/realisation of revenue of Rs. 9.25 crore.*

#### **8.5 Non-levy of electricity duty on transmission and distribution loss**

As per the provisions of the Orissa Electricity (Duty) Act (OED Act), 1961 read with the Government of Orissa, Energy department notification of January 2006, electricity duty (ED) at the rate of six paise *per* unit is leviable on the energy consumed by a licensee or board in its own premises. Further, the OERC fixed the admissible transmission and distribution loss for NESCO at 32 and 29 *per cent* for 2006-07 and 2007-08 respectively excluding the energy sold to extra high tension (EHT) category of consumers.

Test check of the records of the Electrical Inspector (EI), Transmission and Distribution (T&D), Balasore in September 2008 and collection of information

from the corporate office of NESCO revealed that NESCO purchased 8,653.267 MU of energy during the years 2006-07 and 2007-08. Of this, 3,014.667 MU of energy was sold to the EHT category of consumers. Of the remaining 5,638.600 MU of energy, 2,859.288 MU was sold to the low tension (LT) and high tension (HT) category of consumers during the above period leaving a balance of 2,779.312 MU. After deducting the admissible transmission and distribution loss of 1,715.216 MU calculated on the basis of norms fixed by the OERC the distribution company was liable to pay ED on the balance 1,064.096 MU of energy. It was, however, seen that neither did the company pay the dues nor did the department raise demand on that account. This resulted in non-levy of ED of Rs. 6.38 crore.

After the case was pointed out, the Government stated in June 2009 that ED on transmission and distribution loss is not payable as the same is not consumed by a consumer. The fact, however, remains that the transmission and distribution loss over and above the admissible limit is consumption of energy by the licensee for which ED is payable by it.

### 8.6 Non-raising of demand for inspection fee

As per the Government of Orissa notification of December 2001, a fee for inspection of service connections is leviable annually on all connections at the prescribed rates. The fees are to be collected and deposited in the Government account by the distribution companies.

Scrutiny of the records of the EI (T&D), Balasore in September 2008 revealed that neither was the inspection fee for 2007-08 deposited by the distribution company NESCO nor was any demand raised on that account by the department. This resulted in non-realisation of revenue of Rs. 1.18 crore as mentioned in the following table.

(Rupees in crore)

Name of the EI (T&D) Distribution company	Year	Domestic		Commercial		Total fee realisable
		No. of consumers	Fee realisable	No. of consumers	Fee realisable	
Balasore NESCO	2007-08	4,84,421	0.97	42,656	0.21	1.18

After the case was pointed out, the EI stated in September 2008 that action would be taken for raising the demand. A report on further development has not been received (October 2009).

The matter was reported to the Government in February 2009; their reply has not been received (October 2009).

### 8.7 Non-levy of interest

Under the provisions of the OED Act and the Rules made thereunder, a licensee is required to deposit the amount of ED realised from the consumers within a period of 30 days of expiry of the month of such realisation. In case

of delay in making payment the licensee is liable to pay interest at the rate of 18 *per cent* per annum.

Test check of the records of the EI (T&D), Balasore in September 2008 revealed that ED of Rs. 3.79 crore relating to the period from April 2001 to April 2007 was deposited between December 2002 and August 2008 into the Government account. Though the delay in making the payments ranged from 22 days to 70 months, interest of Rs. 1.69 crore leviable was not levied.

After the case was pointed out, the Government stated in May 2009 that demand for interest of Rs. 1.60 crore had been raised in March 2009. A report on recovery and reasons for difference in demand has not been received (October 2009).

### **Housing and Urban Development Department**

#### **8.8 Non-recovery of sewerage charges and short recovery of water charges**

*Non-implementation of annual increase in water charges and non-recovery of sewerage charges in respect of government residential accommodation resulted in non-recovery of Rs. 3.49 crore.*

Under the provisions of the Orissa Water Works (Urban Local Bodies) Rules, 1980, as amended from time to time, water charges at the prescribed rates is recoverable from the occupants of Government residential buildings. As per the Housing and Urban Development department resolution of June 2005, the water charges shall be automatically increased for all categories of consumers at the rate of five *per cent* each year. Further, as per the Housing and Urban Development department resolution of August 1996 sewerage charges at the rate of Rs. 20 per month per connection is also collectable from the consumers.

Test check of the records of the EE, Public Health Division No. II, Bhubaneswar in December 2008 and information collected from the Rent Officer, General Administration (GA) department in February 2009 revealed that the annual increase in water charges has not been implemented in respect of Government residential accommodation. It was also seen that sewerage charges have never been collected from the occupants of the quarters under the control of the GA department. This resulted in short recovery of water charges of Rs. 16.77 lakh for the period from April 2006 to November 2008 and non-recovery of sewerage charges of Rs. 3.32 crore for the period from September 1996 to November 2008.

After this was pointed out, the Government stated in August 2009 that Government residential buildings under the control of GA (Rent) department have been occupied by the staff of different departments. It is, therefore, not practicable to raise the demands against different departments by watching the incumbency of the occupants. It was also stated that to avoid inconvenience the demand for water charges and sewerage charges as per the tariff structure



was being raised against GA department. The fact, however, remains that the EE and the Rent Officer, GA department confirmed in February 2009 that the Government orders increasing the water charges annually and introducing the levy of sewerage charges had not been implemented in respect of Government employees.

**Bhubaneswar  
The**

**(ATREYEE DAS)  
Accountant General (CW & RA)  
Orissa**

**Countersigned**

**New Delhi  
The**

**(VINOD RAI)  
Comptroller and Auditor General of India**